

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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# Kimball & Roberts

A Professional Corporation  
Certified Public Accountants  
176 North Main • P.O. Box 663  
Richfield, Utah 84701

## INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members  
Central Iron County Water Conservancy District  
Cedar City, Utah 84721

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of Central Iron County Water Conservancy District, an enterprise fund, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of Central Iron County Water Conservancy District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As Management of the Central Iron County Water Conservancy District (the District), we offer readers of the financial statements this narrative discussion, overview, and analysis of the District's financial activities for the year ending December 31, 2014. We encourage readers to consider the information presented here as an overview of the operations of the District. This discussion and analysis is not intended to cover every aspect of the daily activities of the District.

The purpose of Central Iron County Water Conservancy District is to provide conservation and development of water resources to the residents of the District.

**Financial Highlights**

- \* The assets of the District exceeded its liabilities as of the close of the most recent year by \$22,304,406 (net position). Of this amount, \$2,508,595 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens, creditors, and capital expansion.
  
- \* The District's total net position increased by \$468,110.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of four components: 1) Statement of Net Position; 2) Statement of Revenue, Expenses, and Changes in Net Position; 3) Statement of Cash Flows; and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements to give the reader an overall view of the District as a whole. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

**Statement of Net Position**

This condensed Statement of Net Position presents information on all of the assets and liabilities of the District, with the difference between assets and liabilities reported as net position. Net position invested in capital assets are the capital assets of the District reduced by accompanying debt and accumulated depreciation. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Statement of Revenues, Expenses, and Changes in Net Position (Continued)**

	<u>2014</u>	<u>2013</u>
Operating Revenues	590,845	514,513
Operating Expenses	<u>(1,580,518)</u>	<u>(1,662,378)</u>
Net Operating Gain (Loss)	(989,673)	(1,147,865)
Non-Operating Revenues (Net)	<u>1,457,783</u>	<u>1,490,231</u>
Increase in Net Position	468,110	342,366
Net Position - Beginning of Year	<u>21,836,296</u>	<u>21,493,930</u>
Net Position - End of Year	<u>22,304,406</u>	<u>21,836,296</u>

**Statement of Cash Flows**

This condensed Statement of Cash Flows provides an additional perspective of the District's financial results for the fiscal year. It provides a source and use of cash for broad categories of activities.

	<u>2014</u>	<u>2013</u>
Cash provided (used) by:		
Operating activities	(271,740)	(517,037)
Non-capital financing activities	1,698,975	3,012,263
Capital financing activities	(835,103)	(909,160)
Capital investing activities	<u>6,380</u>	<u>6,190</u>
Net Increase (Decrease) in Cash	598,512	1,592,256
Cash - Beginning of Year	<u>2,367,774</u>	<u>775,518</u>
Cash - End of Year	<u>2,966,286</u>	<u>2,367,774</u>

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Notes to the Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found at the end of this report.

The financial report is designed to provide a general overview of the District's finances for all those with an interest in government finances. Questions concerning any of the information provided in this report or requests for financial information should be addressed to Central Iron County Water Conservancy District, 88 East Fiddlers Canyon Road, Suite # A, P.O. Box 37, Cedar City, Utah 84721-0037.

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# **BASIC FINANCIAL STATEMENTS**

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**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND TYPE**  
**For The Year Ended December 31, 2014**

	December 31, 2014	(Memorandum) (Only) December 31, 2013
<b>OPERATING REVENUES</b>		
Water Sales Revenue	590,845	514,513
<b>TOTAL REVENUES</b>	<u>590,845</u>	<u>514,513</u>
<b>OPERATING EXPENSES</b>		
Depreciation Expense	665,526	663,058
Dues & Memberships	3,436	2,840
Insurance Expense	19,193	64,759
Lease Expense	9,471	9,471
Maintenance	33,590	47,120
Water System Expense	104,848	88,937
Office, Telephone, and Postage Expense	36,810	35,803
Payroll Taxes	13,395	15,155
Professional Expenses	201,552	80,917
Cost Sharing - USU	42,857	40,928
Salaries & Wages	174,266	198,101
Employee Benefits	104,059	45,409
Travel	9,581	7,840
Utilities Expense - Pumping	151,421	154,419
West Desert Monitoring	8,201	205,112
Other Expenses	2,312	2,509
<b>TOTAL OPERATING EXPENSES</b>	<u>1,580,518</u>	<u>1,662,378</u>
<b>NET OPERATING GAIN (LOSS)</b>	<u>(989,673)</u>	<u>(1,147,865)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
Property Tax Revenue	1,602,364	1,675,141
Fee-In-Lieu of Taxes	103,588	83,055
Federal Grants	-	3,860
Impact Fees	82,500	83,100
Connection Fees	33,700	28,837
Other Revenue	20,736	2,834
Interest Earnings	6,380	6,190
Interest and Fiscal Charges	(391,485)	(392,786)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>1,457,783</u>	<u>1,490,231</u>
<b>CHANGES IN NET POSITION</b>	468,110	342,366
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<u>21,836,296</u>	<u>21,493,930</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u><u>22,304,406</u></u>	<u><u>21,836,296</u></u>

The notes to the financial statements are an integral part of this statement.



**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Central Iron County Water Conservancy District, a Utah political subdivision, (the District) is organized under the Utah Water Conservancy Act of the State of Utah. The District operates under a board of directors appointed by Iron County and provides conservation and development of water resources to the residents of the District. The District is not a component unit of any other governmental entity, and it has no component units.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government units. The District develops, purchases, treats, and sells water to retail and wholesale customers and operates in no other industry. The following is a summary of the more significant of such policies.

**A. Reporting Entity:**

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the exercise of special financial relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units have been included in defining the District's reporting entity.

**B. Financial Statement Presentation:**

The District has adopted the provisions of GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management Discussion and Analysis - for State and Local Governments: Omnibus, and GASB Statement No. 38, Certain Financial Statement Disclosures. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements relating to these standards are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net position presentation.

The District reports its water development, production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Unrestricted: Unrestricted net position represent resources derived from user fees and intergovernmental appropriations. These resources are used for transactions relating to the development of water resource activities of the District, and may be used at the discretion of the governing board to meet current expenses for any legal purpose.

**G. Property Tax**

The District assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The District should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30 of each year. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 15 of the following year, delinquent taxes and penalty bear interest of 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**I. Date of Subsequent Event Evaluation**

The District's subsequent events have been evaluated through the day of the financial statement issuance of May 9, 2015.

**NOTE 2 - CASH AND INVESTMENTS**

The District maintains a cash and investment pool, which includes the cash account and several investments.

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "The Act") and by rules of the Utah Money Management Council ("The Council").

The District's deposit and investment policy is to follow the Utah Money Management Act and rules of the Utah Management Council. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

**Credit Risk:**

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers acceptances; obligations of the U.S. Treasury and U.S. Government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

Following are the District's investments at December 31, 2014:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
PTIF	744,966	Less than 1 Year	Not Rated

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to decline in fair value by solely investing in the PTIF and by adhering to the Money Management Act. The Act requires that the investing remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the County's investments are noted above.

**Concentration of Credit Risk:**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council. The Council's rule 17 limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the District's portfolio at the time of purchase. As of year-end, the District had no investments other than an investment in the Utah Public Treasurer's Investment Fund.

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CHANGES IN LONG-TERM DEBT**

The following is a summary of bonds payable of the District for the year ended December 31, 2014:

<u>Proprietary Fund Debt:</u>	<u>Balance December 31, 2013</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance December 31, 2014</u>
Cedar Highlands 2011	25,000	-	25,000	-
Cedar Highlands 2011	238,000	-	6,000	232,000
Parity Water Revenue Bond Series 2005 A (UT-DW)	2,012,000	-	122,000	1,890,000
Rural Development Revenue Bonds	2,093,287	-	29,872	2,063,415
State Bank of Southern Utah Water Purchase	1,345,434	-	166,364	1,179,070
USDA - Phase II	2,622,297	-	35,035	2,587,262
Utah Drinking Water - Phase II	3,006,000	-	159,000	2,847,000
Utah Drinking Water - Series 2009	53,000	-	3,000	50,000
Utah Drinking Water - Series 2009 Phase III	<u>162,000</u>	<u>-</u>	<u>4,000</u>	<u>158,000</u>
Total Proprietary Fund Debt	<u><u>11,557,018</u></u>	<u><u>-</u></u>	<u><u>550,271</u></u>	<u><u>11,006,747</u></u>

**CENTRAL IRON COUNTY WATER CONSERVANCY DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**Continued**

**NOTE 4 - CHANGES IN LONG-TERM DEBT (CONTINUED)**

\$65,000 Parity Water Revenue Bond Series 2009 issued Series 2009 issued by Utah Drinking Water Board. Due in annual installments of from \$4,300 to \$4,140 through year 2029. Interest rate of 2% APR. Reserve requirement is \$892.	50,000
\$694,705 (principal forgiveness of \$520,705) \$174,000 (net loan amount) Parity Water Revenue Bond Series 2009 issued by Utah Drinking Water Board Due in annual installments of \$7,776 to \$8,500 through year 2040. Interest rate of 2.17% APR. Technical assistance fee. Reserve requirement is \$ 1,700.	158,000
\$250,000 Water Revenue Bonds (assumed on 8/17/2012) Assumed from Cedar Highland Home Owners Association These bonds required yearly payments of \$6,000 to \$12,000, and mature January 1, 2041. Interest rate is 2.38% APR	<u>232,000</u>
Revenue Bonds Payable at December 31, 2014:	<u>9,827,677</u>

All water revenue bonds are secured by revenues generated from water resources.

Other Long-Term Obligations:

\$1,828,942 Capital Lease Obligation Issued by State Bank of Southern Utah in 2008. Due in annual installments of \$235,500 through year 2018. Interest rate of 4.8% APR.	<u>1,179,070</u>
Total Long-Term Obligations Payable at December 31, 2014	<u><u>11,006,747</u></u>

**NOTE 5 - PENSION PLAN**

**Plan Description:**

The District contributes to the Local Governmental Contributory Retirement System and the Local Governmental Noncontributory Retirement System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

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## **COMPLIANCE SECTION**

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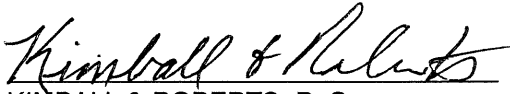
The Honorable Board Members  
Central Iron County Water Conservancy District  
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Iron County Water Conservancy District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing or internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 9, 2015  
Richfield, Utah

**Opinion**

In our opinion, Central Iron County Water Conservancy District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

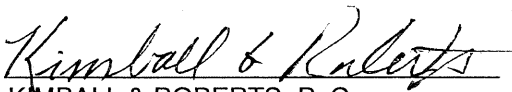
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the compliance requirements that could have a direct and material effect on the District to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*, is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

May 9, 2015  
Richfield, Utah